

Message Text

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PAGE 01 LA PAZ 00393 161554Z

ACTION EB-08

INFO OCT-01 ARA-10 EUR-12 EA-10 ISO-00 GSA-02 INT-05

AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00 FRB-03

H-01 INR-07 L-03 LAB-04 NSAE-00 NSC-05 PA-01

CTME-00 AID-05 SS-15 STR-06 ITC-01 TRSE-00

USIA-06 PRS-01 SP-02 SOE-02 OMB-01 DOE-11 OPIC-03

XMB-02 AF-10 NEA-10 /148 W

-----022658 161750Z /46

R 161536Z JAN 78

FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC 8939

INFO AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY LONDON

LIMITED OFFICIAL USE LA PAZ 0393

E.O. 11652: N/A

TAGS: EMIN, BL

SUBJECT: POTENTIAL IMPACT OF GSA TIN SALES ON BOLIVIAN

ECONOMY IN 1978

1. IN THE PAST SEVERAL DAYS BOTH THE MINISTER OF FINANCE AND THE UNDER SECRETARY OF MINES HAVE RAISED WITH ME THE GOVERNMENT'S CONCERN OVER THE POSSIBLE EFFECT OF GSA TIN SALES THIS YEAR ON A FRAGILE BOLIVIAN ECONOMIC AND POLITICAL SITUATION. THEY ARE REFLECTING A CABINET CONCLUSION THAT THE CONTINUING POLITICAL PROBLEMS AND CAPITAL FLIGHT BETWEEN NOW AND JULY ELECTIONS, THE GOVERNMENT WILL FACE A MAJOR FINANCING PROBLEM IN THE NEXT SIX MONTHS, EVEN IF TIN PRICES HOLD AT PRESENT LEVELS. A FALL IN TIN PRICES--WHICH SOME GOB TIN WATCHERS SEE AS PROBABLE--COULD CREATE A FINANCING PROBLEM OF PERHAPS UNMANAGEABLE PROPORTIONS. AS OF NOW THIS IS ONLY THE GOB'S ANALYSIS.

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BUT OUR PRELIMINARY WORK ON THE BOLIVIAN BALANCE OF PAYMENTS--WHICH WE HOPE TO SEND SHORTLY--INDICATES THAT THE CAPITAL FLIGHT AND FINANCING PROBLEMS THE GOB FACES THIS YEAR ARE INDEED VERY SERIOUS.

2. IN REPLY TO THESE PLEAS I HAVE GIVEN THE USUAL REPLY: CONGRESS HAS TO AUTHORIZE SALES; IF IT DOES WE

WILL CONSULT ITC AND PRODUCERS; ADMINISTRATION WOULD
MANAGE ANY SALES SO AS NOT TO DISRUPT THE MARKET. I
WOULD APPRICATE ANY MORE EXPLICIT GUIDANCE THAT WASHINGTON
COULD PROVIDE. GOB WILL UNDOUBTEDLY CONSIDER ANY GSA
SALES THIS YEAR AS INCONSISTENT WITH
EFFORTS TO RETURN BOLIVIA SMOOTHLY TO ELECTED GOVERNMENT.
WE MAY CONSIDER THIS A SOMEWHAT PARANOIC REACTION, BUT
IT IS THE LOCAL MIND SET. THERFORE, WE WILL BOTH HAVE
TO TAKE THIS INTO ACCOUNT AND PROVIDE OUR BEST RATIONALE
FOR ANY SALES THAT MIGHT NEVERTHELESS BE CONSIDERED.

3. IF WE WERE IN A POSITION TO SAY WE DO NOT ANCITIPATE
ANY GSA SALES IN THE NEXT SIX PLUS, OR EVEN TWELVE, MONTHS
THIS WOULD BE VERY HELPFUL AND TAKEN HERE AS A GREAT
POLITICAL ACT, EVEN IF IT WERE ONLY A FULL CONGRESSIONAL
CALENDAR THAT DETERMINED THIS RESULT.
BOEKER

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